

TESTIMONY OF DEAN SHELTON

Chairman, California Gambling Control Commission
Before the United States Senate Committee on Indian Affairs
June 28, 2007

Good morning Mr. Chairman and members of the committee. My name is Dean Shelton and I am the Chairman of the California Gambling Control Commission.

Governor Arnold Schwarzenegger has requested that I appear on his behalf in support of language in the draft bill that clarifies the National Indian Gaming Commission's authority over the class III Minimum Internal Control Standards or MICS.

California is unique in that it has 107 federally-recognized Indian tribes. At present, 66 of those tribes have tribal-state gaming compacts. There are 57 tribal casinos in operation in California and several more casinos are in the planning and development stage. The Gambling Control Commission has the responsibility of oversight of tribal casinos to the extent authorized under the tribal-state gaming compacts, and performs fiduciary and audit responsibilities associated with tribal gaming.

Given the number of gaming tribes and the scale of the tribal gaming industry in California, this draft bill has the potential to significantly impact our state. Governor Schwarzenegger believes that NICG should be authorized to formally inspect and enforce the MICS as they have done in the past. His position is based on his belief that strong state, federal, and tribal regulation and oversight of class III gaming best serves the public interest and furthers the goals of the Indian Gaming Regulatory Act. This three-pronged approach has worked well in our state, creating a good balance among the three sovereigns responsible for regulation and oversight of tribal gaming. We would encourage and support

enhanced coordination and open lines of communication among all of these regulators.

I personally have enjoyed a professional relationship with NIGC and find Chairman Phil Hogan and his staff to be open and cooperative with our commission. We believe that the past work of NIGC has helped promote, and increase public confidence in, the integrity of gambling on Indian land.

While we support language in the draft bill that clarifies NIGC's authority with respect to class III gaming, we believe that section 3 of the proposed bill is unnecessary. As we understand it, the proposed language would authorize the Commission to determine whether it should be preempted from regulating class III gaming in a state based on its review of the regulatory activity required under a tribal-state compacts. This review would be based on standards to be established by a newly created Class III Regulatory Committee. The Committee also would develop minimum standards for the regulation of class III gaming.

We see no need to develop this additional layer of bureaucracy. We believe NIGC has the expertise to carry out its responsibilities and that creation of the committee is unnecessary. Additionally, given the number of gaming tribes in the State of California, we believe there is more than enough room for both federal and state oversight of class III gaming and that preemption also is unnecessary. Our approach in California has been to complement NIGC's activities, rather than duplicate them, and we will continue to follow that approach. Accordingly, it is our position that only sections 1 and 2 of the draft bill should be enacted.

Thank you for the opportunity to speak today on this important matter. I would be pleased to answer any questions you may have.